

Post Employment Health Plan (PEHP) Information

Recently, the Board of Supervisors approved implementing a Post Employment Health Plan (PEHP) Jan. 1, 2007 for employees who meet certain criteria. The PEHP creates a tax advantaged savings/investment complement to cover retiree health costs.

1. What is a Post Employment Health Plan (PEHP)?

A PEHP is a unique employee benefit where Maricopa County contributes \$10,000 tax free to fund an investment account for the payment of (post employment) qualified medical expenses. The PEHP is established pursuant to Internal Revenue Code 501 (c) (9) (VEBA).

2. When is the PEHP effective?

The PEHP is effective Jan. 1, 2007. The PEHP replaces the current \$3,000 taxable payment described in the Maricopa County Compensation Plan Section XIII A. 3.

3. Who is eligible for a PEHP?

Maricopa County employees who meet all of the following criteria are eligible for a PEHP:

- Officially retire from Maricopa County as verified by the appropriate state retirement system on or after Jan. 1, 2007 and will receive a pension from the appropriate state retirement system;
- Have filed the appropriate documentation for retirement with the appropriate state retirement system;
- Have a minimum of 1,000 hours of accrued Family/Medical (sick) Leave at the time of retirement.

A PEHP for the accumulated 1,000 or more hours of family/medical leave will be established for the surviving spouse and/or qualified dependents (as defined by the IRC 152 (a)) of a deceased employee upon the receipt and approval of the appropriate documentation.

4. Who administers the PEHP?

The PEHP is administered by Nationwide Retirement Solutions (NRS). NRS can be contacted for additional information by calling 602-266-2733.

5. What are the benefits of a PEHP?

The principal advantage of the PEHP to the employee, their spouse and their qualified dependent(s) is that the amount contributed to the plan by the employer, investment earnings of the contributions and the amounts distributed for the reimbursement of qualified medical expenses (as determined by IRC 213 (d)) are free from Federal and State income and FICA taxes.

6. Can the employee contribute to the PEHP?

No. The employee may not contribute to the PEHP.

7. For what type of expenses can the PEHP pay?

Employees may access their PEHP account upon retirement to pay for qualified medical expenses as defined by IRC 213 (d) for themselves, their spouse and their qualified dependent(s). Qualified dependents are those who you claim as your dependents for federal income tax purposes (e.g., spouse, child) in the year the qualifying expense is incurred. Only expenses incurred after the employee's retirement from Maricopa County qualify.

Examples of qualified medical expenses include:

- Medical co-pays or deductibles which are your responsibility and are not reimbursed by insurance;
- Insurance premiums for coverage of medical and health care such as COBRA, Medicare Part B, Medicare supplemental insurance, and qualified long-term care;
- Dental care, including routine dental check-ups with orthodontia, dentures and any coverage premiums;
- Eye care, including examinations, glasses, contact lenses and any coverage premiums;
- Hearing care, including examinations, hearing aids and any coverage premiums;
- Routine physical examinations;
- Prescription drugs;
- Any other medical care item which is approved by the Administrator and which is consistent with the definition of "medical care" within the meaning of the IRC 213 (d) (1).

8. Is there a time limit for using the funds in the PEHP?

No, there is no time limit for using the funds in the PEHP. However, if you (and your qualified dependents) incur qualifying medical care expenses eligible for reimbursement, which equal or exceed your account balance, you will effectively terminate participation in the PEHP when the account balance is depleted. Benefit payments are limited to the amounts in a participant's account.

9. What are the investment options?

The employee may direct NRS to have contributions directed to the investment option of their choice. All deposits by Maricopa County will be made to the most conservative investment option in the group variable annuity product until the employee changes it. Changes to the allocations can be made by phone, Employee Application Form or via the Internet.

Current investment options include:

Asset Allocation/Gartmore Investor Destinations Series

- Aggressive Fund (Svc Class)
- Moderately Aggressive Fund (Svc Class)
- Moderate Fund (Svc Class)
- Moderately Conservative Fund (Svc Class)
- Conservative Fund (Svc Class)

International

- JP Morgan International Equity Fund (select Shares)
- Oppenheimer Global Fund (Class A)

Small Cap

- Dreyfus Premier Small Cap Value Fund (Class R)
- Fidelity Advisor Small Cap Fund (Class A)
- Gartmore Small Cap Index Fund (Class A)

Mid Cap

- American Century Vista Fund (Investor Class)
- Gartmore Mid Cap Market Index Fund (Class A)
- Goldman Sachs Mid Cap Value Fund (Class A)

Large Cap

- American Centure Ultra Fund (Inv Class)
- Gartmore S&P 500 Index Fund (Institutional Service Class)
- Gartmore Nationwide Fund (Class D)
- Van Kampen Growth & Income Fund (Class A)

Bonds

- PIMCO Total Return Fund (Class A)

Fixed Income/Cash

- Gartmore Money Market Fund (Prime Shares)
- Nationwide Fixed Account

10. Are the funds subject to forfeiture?

If you die, the funds in the PEHP are available for the use of your surviving spouse and/or qualified dependents (as defined by the IRC 152 (a)) to use for qualified health care expense.

If you have no spouse or qualified dependents or the Administrator is unable to locate you within 36 months after attempting to do so, your account balance will be forfeited. Any amounts forfeited will be divided and reallocated in an equitable manner to the accounts of all the remaining members of the employee group who have a positive account balance.

11. Are there any fees that the employee is responsible to pay?

Yes. There is a .50% asset fee.

12. What is the process to obtain the PEHP?

1. Employee must meet the eligibility requirements.
2. Department HR Liaison completes a termination PAF for the employee indicating retirement as the reason for separation.
3. Upon processing the PAF, the Payroll Division of Human Resources notifies the Employee Health Initiatives (EHI) Department regarding the employee.
4. EHI verifies eligibility for the PEHP.
5. EHI obtains funding for the PEHP from the employee's department.
6. EHI requests a payment of \$10,000 to be made to NRS on behalf of the employee.
7. EHI provides NRS with employee information to set up the account.
8. Employee may contact NRS prior to funding of the account to determine their investment options.
9. If employee has not contacted NRS to determine their investment options prior to NRS' receipt of the \$10,000, NRS will establish an account investing the \$10,000 in the most conservative investment.
10. Employee gains access to the PEHP.
11. Employee may change allocation of investment by contacting NRS.
12. Employee, spouse and qualified dependent(s) may submit claims and itemized receipts up to the account balance for reimbursement or set up a payment schedule for recurring payments.
13. Reimbursement of eligible expenses will be made to either the employee or deposited in their checking account.